

Message Text

SECRET

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ACTION SS-30

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----- 093842

R 050229Z APR 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 1427

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY TOKYO

CINCPAC

S E C R E T SECTION 1 OF 2 TAIPEI 2122/1

EXDIS

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PFOR, PINT, TW, US

SUBJECT: AMBASSADOR'S QUARTERLY COMMENTS AND RECOMMENDATIONS
FOR ACTION

1. SUMMARY. ALTHOUGH WORRY AND UNEASINESS ABOUT THE POLITICAL AND ECONOMIC VIABILITY OF THE ROC REMAIN BELOW THE SURFACE, ROC LEADERSHIP AND PUBLIC CONFIDENCE IN THE U.S. AND THE AMERICAN COMMITMENT ARE RELATIVELY HIGH AT THE MOMENT. AMBASSADOR UNGER'S APPOINTMENT AS MY SUCCESSOR HAS HAD A PARTICULARLY REASSURING EFFECT AND RECENT DEVELOPMENTS ON THE MAINLAND ARE PERCEIVED HERE AS RENEWED EVIDENCE OF PRC INSTABILITY, SLOWING THE PACE OF ANY FURTHER WASHINGTON-PEKING NORMALIZATION.

2. ASIDE FROM THE BASIC QUESTION OF RELATIONS WITH THE U.S., ALWAYS A MATTER OF OVERRIDING IMPORTANCE FOR THE ROC, AND DESPITE THE PARACELS/SPRATLY AND JAPAN CIVIL AVIATION ISSUES, MOST GOVERNMENT ENERGIES HAVE BEEN FOCUSED ON THE ECONOMIC ARENA, WITH BOLD ACTION BEING TAKEN LAST JANUARY TO SLOW AND HOPEFULLY TAME THE PROBLEMS OF INFLATION CAUSED BY RISING RAW MATERIALS

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COST AND OVERHEATED ECONOMY. THE RESULTS ARE NOT

FINALLY IN BUT THE GOVERNMENT'S POLICIES APPEAR TO BE
HAVEING SOME SUCCESS.

3. MY FINAL CONVERSATIONS WITH THE PREMIER ON MILITARY
DEPLOYMENTS INVOLVED SOME MODIFICATIONS HE WAS BOUND
TO FIND UNPALATABLE, BUT WERE AS ALWAYS HELD IN AN
ATMOSPHERE OF FRANKNESS AND MUTUAL RESPECT. I RE-
COMMEND THAT AMBASSADOR UNGER, SHORTLY AFTER HIS ARRIVAL
HERE, FOLLOW UP ALONG LINES SET
FORTH BELOW, AND I URGE MOST STRONGLY THAT HE COME
ARMED WITH A MESSAGE OF REASSURANCE FROM THE PRESIDENT
OR THE SECRETARY. END SUMMARY.

4. BOTH THE ROC LEADERSHIP AND THE PEOPLE GENERALLY
ARE MORE RELAXED NOW ABOUT RELATIONS WITH THE U.S.
AND THE DURABILITY OF THE AMERICAN COMMITMENT THAN THEY
HAVEE BEEN FOR SOME TIME. THE ANTI-CONFUCIUS, ANTI-LIN
CAMPAIGN ON THE MAINLAND IS SEEN AS RENEWED EVIDENCE OF
PRC INSTABILITY, SLOWING THE PACE OF WASHINGTON-PEKING
NORMALIZATION. THE SECRETARY'S YEAR-END PRESS CON-
FERENCE REMARKS AND, ABOVE ALL, THE APPOINTMENT OF A
SENIOR AND HIGHLY QUALIFIED OFFICER AS THE NEW
AMBASSADOR ALLAYED ANY FOREBODINGS THAT THIS ADMINISTRA-
TION MIGHT MOVE TO STRENGTHEN ITS OFFICIAL RELATION-
SHIP WITH PEKING, AT THE EXPENSE OF THE RELATIONSHIP
HERE. APPREHENSION ABOUT THE PROSPECTS FOR THE LONG-
TERM FUTURE REMAIN JUST BELOW THE SURFACE, BUT FOR THE
PRESENT, THE NAMING OF AMBASSADOR UNGER HAS HAD THE
EFFECT OF STRENGTHENING CCK'S POSITION BY APPEAARING
TO DEMONSTRATE THAT HE IS ABLE TO HANDLE RELATIONS
WITH THE U.S., AND THAT HIS DECLARED POLICY OF NO
NEGOTIATIONS WITH PEKING, NO CONTACT WITH MOSCOW, TOTAL
FAITH IN THE U.S. COMMITMENT, IS CORRECT.

5. OTHER THAN THE BASIC MATTER OF RELATIONS WITH THE
U.S., ALWAYS OF OVERRIDING IMPORTANCE FOR
THE GROC, MOST GOVERNMENT ATTENTION IN THE JANUARY-
THROUGH-MARCH PERIOD WAS FOCUSED ON ECONOMIC ISSUES,
PARTICULARLY THE INFLATIONARY SPIRAL BROUGHT ON BY
RAPIDLY REISING INTERNATIONAL MARKET PRICES FOR

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ENERGY, RAW MATERIALS AND AGRICULTURAL PRODUCTS,
AND RAPID ECONOMIC GROWTH, PARTICULARLY IN THE EXPORT
SECTOR. FROM THE VARYING STRATEGIES OFFERED BY HIS
ECONOMIC ADVISERS, CCK CHOSE A BOLD, ONE-SHOT APPROACH,
PROMULGATING VERY LARGE INCREASES IN UTILITY RATES,
TRANSPORTATION COSTS AND THE PRICE OF GOVERNMENT-
CONTROLLED COMMODITIES, BUT ANNOUNCING THERE WOULD
BE NO FURTHER INCREASES THIS YEAR. THE PRICE RISES

WERE ACCOMPANIED BY ORTHODOX ECONOMIC CONTRACTION MEASURES, AND BY A 10 PERCENT MILITARY AND CIVIL SERVICE WAGE BOOST. IT IS THE ANNOUNCED "ONE-SHOT APPROACH" WHICH MAKES THIS SOMETHING OF A GAMBLE FOR CCK: HIS PRESTIGE WILL BE AFFECTED IF ANOTHER ROUND OF GOVERNMENT-MANDATED PRICE INCREASES BECOMES NECESSARY LATER, OR IF THE ECONOMY FALTERS BECAUSE OF TOO SEVERE DEFLATIONARY POLICIES. AS WE HAVE STRESSED PREVIOUSLY, THE ABILITY OF THE ROC TO ADJUST WITHOUT PANIC OR SPASM TO A NEW RELATIONSHIP WITH THE U.S. AND THE REST OF THE WORLD HAS BEEN SUSTAINED IN LARGE PART BY A HIGH LEVEL OF ECONOMIC PERFORMANCE, AND THE SENIOR LEVELS OF GOVERNMENT ARE QUITE AWARE OF THIS. THE GOVERNMENT'S TOUGH MEDICINE SEEMS TO BE HAVING THE DESIRED EFFECT, BUT THE PICTURE WILL NOT BECOME CLEAR FOR A LEAST ANOTHER THREE MONTHS.

6. TWO OTHER POLITICAL ISSUES--THE PARACELS/SPRATLEY TERRITORIAL PROBLEM AND THE JAPAN CIVIL AVIATION CONTROVERSY--HAVE OCCUPIED MUCH GOVERNMENT ATTENTION. THE GOVERNMENT'S POSITION HAS BEEN COMPLICATED BY THE "CHINESE" ASPECT OF THE PRC'S OCCUPATION OF THE PARACELS, CONTRASTING TO SOME DEGREE WITH ROC INABILITY TO DEFEND ITS ASSERTIONS OF CHINESE SOVEREIGNTY OVER ALL OF THE SPRATLEYS. CONSTRAINED BY TOUGH REALITIES, ROC HANDLING THUS FAR HAS BEEN TEMPERATE AND RESTRAINED. BASICALLY, THE ROC HOPES THE PROBLEM WILL GO AWAY. OUR OWN INTEREST WOULD BE SERIOUSLY AND ADVERSELY AFFECTED BY ANY BREAKDOWN OF THE TACIT RESTRAINT THE PRC AND ROC MAINTAIN TOWARD INTERFERENCE WITH EACH OTHER'S ARMED FORCES. AS NOTED IN OTHER CHANNELS, THE IMMEDIATE REACTION OF THE CHIEF OF GENERAL STAFF HERE
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TO NEWS OF THE APPARENT PASSAGE THROUGH THE TAIWAN STRAIT OF A PRC MISSILE VESSEL WAS INTEMPERATE AND INJUDICIOUS. ALTHOUGH CALMER SECOND THOUGHTS PREVAILLED, IT INDICATES WHAT COULD HAPPEN IN THE HEAT OF THE MOMENT.

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ACTION SS-30

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S E C R E T FINAL SECTION OF 2 TAIPEI 2122/2

EXDIS

7. THE CIVIL AIR CONTROVERSY WITH JAPAN DOES NOT SO DIRECTLY ENGAGE OUR OWN INTERESTS, AT LEAST IN THE SHORT RUN. THE ROC IS PLAYING A VERY HIGH STAKES GAME, HOWEVER, AND CCK HIMSELF APPARENTLY WOULD LIKE NOTHING BETTER THAN TO HELP BRING DOWN THE TANAKA GOVERNMENT AND SEE FUKUDA INSTALLED AS PRIME MINISTER. IF CCK ACTUALLY DOES PUSH MATTERS TO THE POINT OF RUPTURE, IT SEEMS LIKELY THE RESULTS WOULD BE: SERIOUS MISGIVINGS IN LOCAL POLITICAL AND BUSINESS CIRCLES; AN INEVITABLE BACKLASH FROM THE JAPANESE IN TRADE AND INVESTMENT FIELDS; FURTHER ROC-JAPAN ESTRANGMENT AND DEEPEED ROC ISOLATION. THOUGH THE RESULTS COLD HARM THE ROC MORE THAN THE JAPANESE, THE CHOICE IS THEIR OWN AND I BELIEVE WE SHOULD CONTINUE TO AVOID INVOLVEMENT.

8. RECOMMENDATIONS FOR ACTION: MUCH OF THE NEWS I CONVEYED TO CCK IN MY FINAL CONVERSATIONS WITH HIM THIS WEEK WAS UNWELCOME TO HIM. YET IT WAS NOT ENTIRELY UNEXPECTED, WAS STRICTLY IN ACCORD WITH OUR BILITERAL AGREEMENTS, INVOLVED CERTAIN IMPORTANT COMPENSATIONS, AND WAS ACCOMPANIED BY MEANINGFUL REASSURANCES. COMPARED TO THE 1971-72 PERIOD, WE HAVE A RELATIVELY GOOD CREDIT BALANCE WHICH MADE THIS THE APPROPRIATE MOMENT TO DELIVER SUCH A MESSAGE. WE CAN BE CERTAIN THE PREMIER HAS NOT YET

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SAILD ALL HE INTENDS AND, IN THE NATURE OF THINGS, FOLLOWW-ON CONVERSATIONS WILL BE NECESSARY. I BELIEVE IT WOULD BE USEFUL AND DESIRABLE TO ENLARGE THE SCOPE OF THE DIALOGUE, AND TO TALK FRANKLY WITH

CCK ABOUT A NUMBER OF ISSUES OF CONCERN TO US. THIS SHOULD BEGIN DURING OR SOON AFTER AMBASSADOR UNGER'S INITIAL TOUR D' HORIZON WITH THE PREMIER, FOR WHICH I RECOMMEND SOMETHING ALONG THE FOLLOWING LINES:

A. US-ROC-PRC RELATIONS: AFTER DELIVERING WHAT-EVER SUBSTANTIVE MESSAGE THE PRESIDENT OR SECRETARY MAY ENTRUST (AND I RECOMMEND UNRESERVEDLY THERE BE SUCH A MESSAGE), AND NOTING THAT HIS OWN APPOINTMENT ATTESTS TO OUR INTENTION TO LIVE IN FULL UP TO OUR ASSURANCES ABOUT OUR RELATIONS HERE, AMBASSADOR UNGER WOULD GO ON TO STATE THAT A CONTINUATION OF THE IMPROVEMENT OF RELATIONS WITH PEKING WILL BE RESOLUTELY SOUGHT AT THE SAME TIME. TO THE DEGREE POSSIBLE, HE WOULD SKETCH OUT THE STEPS VIS-A-VIS PEKING WE MAY BE TAKING IN THE NEXT ONE-TO-TWO YEARS (SUCH AS MFN TREATMENT, CLAIMS SETTLEMENT, TRANSPORTATION AGREEMENT, HIGH LEVEL VISITS, ETC.).

B. ROC-SOVIET CONTACTS: ONLY A LIGHT TOUCH WOULD SEEM NECESSARY OR DESIRABLE.

C. ROC MILITARY POSTURE: A COMPLIMENT ON THE CLEARLY DEFENSIVE CURRENT ORIENTATION OF THE ROC MILITARY AND THEIR OVERALL PROGRESS IN MODERNIZATION WOULD BE IN ORDER, WITH LOW-KEY MENTION OF THE EXCEEDINGLY HIGH RISK OF ANY PROVOCATION OF THE PRC.

D. US MILITARY DISPOSITIONS: IT WOULD BE APPROPRIATE TO RESTATE AND UNDERSCORE THE REPRESENTATIONS ALREADY MADE. WITHOUT REOPENING MATTERS OF BASIS SUBSTANCE, OUR INTENTION TO BE AS HELPFUL AND ACCOMODATING AS POSSIBLE COULD BE REAFFIRMED. I WILL HAVE MORE TO SAY ON THIS IN WASHINGTON.

E. MILITARY ASSISTANCE: PLANS AND PROSPECTS FOR FY75 AND THEREAFTER SHOULD BE OUTLINED, NOTING FRANKLY THE BUDGETARY AND CONGRESSIONALD PRESSURES.

F. ECONOMIC ISSUES: A CONTINUATION OF THE EXISTING DIALOGUE ABOUT THE U.S. BILATERAL TRADE DEFICIT, EXIM'S PLANS, AND THE INVESTMENT CLIMATE WOULD BE IN ORDER.

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G. NUCLEAR ENERGY: A RENEWED EXPRESSION OF OUR APPRECIATION OF THE PREMIER'S DECISION NOT TO MOVE TOWARD NUCLEAR WEAPONS DEVELOPMENT IN VIEW OF THE GREAT DIFFICULTIES WHICH THIS WOULD CREATE FOR BOTH OF US MIGHT HAVE A USEFUL DETERRENT EFFECT.

9. WHILE THIS APPEARS AT FIRST LOOK TO BE A FULL AGENDA, GROUND HAS ALREADY BEEN BROKEN IN ALL THESE FIELDS. THE QUESTION NOW IS WHETHER WE SHOULD NOT SOON BROADEN AND DEEPEN THE SCOPE OF OUR

PRESENT DIALOGUE TO DEAL MORE SEARCHINGLY WITH THE
ISSUES IMPORTANT TO BOTH THE ROC AND OURSELVES.
MY CONCLUSION IS THAT SUCH AN ENLARGEMENT OF THE
SCOPE WOULD SERVE OUR INTERESTS, AND THAT WE OWE
IT TO THE ROC.
MCCONAUGHY

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